

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

February 28, 2002
The Honorable Paul O'Neill
Secretary, U.S. Treasury Department
Annual Testimony, International Financial System and International
Monetary Fund

Today, the Committee is meeting to hear from the Secretary of the Treasury, Mr. Paul H. O'Neill, on the state of the international financial system, IMF reform, and compliance with IMF agreements. This hearing is mandated by the fiscal year 1999 foreign operations appropriations bill, which provided for an \$18 billion increase in U.S. funding of the International Monetary Fund (IMF). To ensure that the IMF would effectively use these funds, Congress included as a requirement, authored by Representative Castle, a senior member of our Committee, that the Treasury Department submit an annual report on the progress of IMF reforms and that the Treasury Secretary testify before this Committee on the state of the international financial system.

As I am sure you are aware Mr. Secretary, this Committee heard from Federal Reserve Board Chairman Alan Greenspan just yesterday about the conduct of monetary policy and the state of the domestic economy. Inasmuch as economic growth in the United States is necessarily intertwined with that of the remainder of the world, our Nation's economic growth is greatly impacted by disturbances and/or crises in the international economy, such as that currently occurring in Argentina. As a result this Committee welcomes this opportunity to both oversee U.S. international economic policy and at the same time looks very much forward to your insights into where that economic policy is heading.

At your appearance last year, you testified that reform of the international financial institutions was a key priority for the Administration and emphasized the need for the IMF and the World Bank to focus more narrowly on their core objectives.

You highlighted a number of issues, among them transparency, accountability, IMF crisis prevention, converting loans to grants, increased education in poor countries and the use of results based performance indicators. The Department's October 2001 report provides a helpful review to your testimony as well as an early insight into the success the Administration has had in pursuing Congressional directives codified in Section 1503 of the International Financial Institutions Act related to market-oriented reforms, trade liberalization, sound banking systems, work-out systems for sovereign debt and a host of other issues.

With a year as Secretary under your belt, the Committee looks particularly forward to your assessment of progress on these fronts.

In light of the almost daily news on Argentina's financial turmoil and the IMF's more than twenty year relationship with Argentina, I would expect that you will receive quite a number of questions about this long-term relationship and how Argentina could possibly find itself in the financial plight that it currently faces. Turkey is also a subject of interest, although perhaps less so than Argentina since it has not faced suspension of IMF assistance. There is also very strong interest in the Japanese economy. Although the Japanese are not recipients of IMF assistance, the IMF is conducting a Financial Sector Assessment Program in Japan and we would certainly welcome your thoughts on the prospects that Japan will finally address the long-term problem of non-performing loans in its banking system.

While I am personally not of the opinion that the IMF and World Bank have done their jobs in ways that call for radical changes in the manner in which they undertake their responsibilities, I do nevertheless feel that the Treasury Department's annual review, as it relates to IMF reform, is and will be of particular importance on a going forward basis and I look very much forward to receiving your views on this and other matters of import that you would like to discuss this morning, Mr. Secretary.

Let me just take a moment in closing to say how much I personally appreciate the strong leadership skills that you have frequently exhibited during your service at Treasury to date. Please also know that this Committee appreciates the good work that you and other members of your team have accomplished, such as reform of the Multilateral Development Banks and the International Monetary Fund, combating the financing of terrorism, the reconstruction of Afghanistan, attempts to raise the level of sustained global economic growth and lastly, ongoing efforts to strengthen the bilateral economic relationship between the United States and Russia. With all that being said Mr. Secretary, let me welcome you to your third appearance before our Committee.

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